



# **Federal / State Income Tax Institute**

**Nebraska Updates  
2016**

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Tax Incentives

Forms

FAQs

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Legal Information

News Releases/FYI

Research

Sales Tax Rate Finder

Tax Calendar

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Useful Links

**Click here for ways to contact us and mailing addresses.**

**Online Services**

**For Individuals**

Make a Payment

File Your Return

Where's My Refund?

**For Businesses**

Make a Payment

File Your Return

**Software Developers**

**Tax Preparers**

**Currently Featured**

Nameplate Capacity Tax

2015 Nebraska Tax Incentives Annual Report

Get help with the new Form 941N e-file return.

Fall 2016 Seminar Schedule

2016 Major Legislative Changes

Identity Theft Resources

Report Nebraska Tax Fraud

Nebraska Delinquent Taxpayer List

Payment Options

Request a Payment Plan

**Specific Tax Info**

Business Income Tax

Cigarettes/Other Tobacco Products

Individual Income Tax

Use Tax for Individuals

Occupation Taxes

Sales and Use Tax

Income Tax Withholding

**Items of Interest**

Compliance and Enforcement

Construction Contractors

Homestead Exemption

How to Start or Close Your Business

In the News

Local Government Information

Major Legislative Changes

Market-Based Sourcing

Nebraska Historic Tax Credit

New Markets Job Growth Investment Tax Credit

Prepaid Wireless Surcharge

Official Nebraska State Government Home Page | Privacy Policy | About Outside Links

# Today's Agenda

- **Business Taxes**
- **Individual Income Tax**
- **Use Tax**
- **Legislative Changes**
- **Revenue Rulings; Property Tax Directives; and Information Guides**

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# Business Taxes

# Business Income Tax

**Available January 2017 (for tax year 2016 returns only)**

- Tax programs available to electronically file
  - Nebraska Corporation Income Tax Return, Form 1120N
  - Nebraska S Corporation Income Tax Return, Form 1120-SN
  - Nebraska Return of Partnership Income, Form 1065N
- Ability to attach supporting documents as a PDF
- Electronic payment methods available
  - EFW will be available within the electronically-filed return
  - E-pay
  - ACH credit
  - Tele-pay
  - Credit Card (not available for Form 1065N)

Note: A valid Nebraska ID number is required to electronically file business income tax returns.

# Nebraska Income Tax Withholding

## Nebraska Income Tax Withholding Return, **Form 941N**

- Available May 2016
- Functionality similar to the online sales tax filing system
- Allows Electronic Funds Transfer (EFT) payments while filing
- View transaction history or view, print, and save filed returns

## Nebraska Monthly Income Tax Withholding Deposit, **Form 501N**

- Available January 2017
- Online payments for withholding
- Make a monthly deposit or a payment on a previous balance
- Set up a reminder to make a monthly payment



# Due Dates for Business Returns

Nebraska law requires that we follow federal guidelines regarding tax return due dates. The federal Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 ([H.R. 3236](#)) modified several federal tax return due dates.

- For tax years beginning after December 31, 2015
- Will apply to 2016 returns
- Also applies to short period returns

## Partnerships and S Corporations

- March 15 for calendar year returns
- 15<sup>th</sup> day of the third month after the close of the fiscal year

# Due Dates for Business Returns (continued)

## C Corporations

- April 15 for calendar year returns
- The 15<sup>th</sup> day of the fourth month after the close of the fiscal year.

## Special rule for C Corporations with a fiscal year ending June 30.

- The new law will not apply until tax years beginning after 2025.
- Due date will continue to be the 15<sup>th</sup> day of the third month after the close of the year (September 15) until the 2026 tax year.

# Extensions for Business Returns

A Nebraska extension to file may only be obtained by:

- Attaching a copy of a timely-filed Application for Automatic Extension of Time to File Certain Business Income Tax, Information and Other Returns, Federal Form 7004;
- Attaching a schedule to the Nebraska return listing the federal confirmation number and providing an explanation that the electronic request for automatic federal extension was not denied; or
- Filing a [Nebraska Application for Extension of Time to File Corporation, Fiduciary, or Partnership Return, Form 7004N](#).
  - Generally, Nebraska allows the same number of extension months allowed federally.
  - Fiduciary returns will be allowed a blanket six-month extension by Nebraska.

# Extensions for Business Returns (continued)

When filing for an extension:

- Failure to attach the applicable extension document may result in a late filing penalty.
- An extension of time only extends the date to file the return.
- An extension does not extend the due date to pay the tax.
- Any tax not paid by the original due date is subject to interest.

Note: See the instructions for [Form 7004N](#) for more information.

# Income Tax Withholding

Circular EN will be **updated for 2017**

- Withholding rate schedules and tables will be updated to reflect changes to the individual income tax brackets.
- The [2017 Circular EN](#) will replace the 2013 version.

Tips for preparing Forms W-2 and 1099

- Verify the employee's Social Security number is correct,
- If the income is subject to Nebraska withholding, the employer or payor is required to list their Nebraska ID number on all Federal Forms W-2, W-2G, 1099-R, and 1099-MISC issued.
  - Be sure the Nebraska ID number is in the appropriate box on the Forms W-2 and 1099.
  - The Federal Employer ID Number cannot be substituted for the Nebraska ID number.

# Income Tax Withholding

When filing wage and tax statements, any employer or payor who issues more than 50 wage and tax statements must [e-file](#) those statements with the Department.

- This includes Forms W-2, W-2G, 1099-R, and 1099-MISC.
- Statements must be filed by February 1.
- If your payroll software does not support creating the proper file format, use the Nebraska W-2 File Creator to assist you with uploading Forms W-2 electronically. See the [instructions on our website](#).
- Encourage employers to file the Form W-3N and tax statements early to help reduce fraud.

# Changes in Local Sales Tax

The following cities, villages, or counties have **started** a new local sales and use tax rate:

- Effective **April 1, 2016**
  - Wood River 1.5%
- Effective **October 1, 2016**
  - Bellwood 1.5%
  - Leigh 1.5%
- Effective **January 1, 2017**
  - Meadow Grove 1.5%

Note: Dakota County is currently the only county in Nebraska to impose a local sales and use tax. The tax was implemented on April 1, 2015, and the rate is 0.5%.

# Changes in Local Sales Tax

The following cities, villages, or counties have **increased** their local sales and use tax rate:

- Effective **April 1, 2016**
  - Geneva 2.0%
- Effective **October 1, 2016**
  - Dodge 1.5%
  - Oshkosh 2.0%
- Effective **January 1, 2017**
  - Elmwood 1.5%
  - Weeping Water 1.5%
  - Wilber 1.5%
  - Papillion 2.0%




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# Individual Income Tax

# Form 1040N

## Schedule I Line Changes


|   |  |   |
|---|--|---|
| <br><b>Nebraska Department of</b><br><b>REVENUE</b>   | <b>Nebraska Schedule I — Nebraska Adjustments to Income</b><br>(Nebraska Schedule II reverse side.)<br>• Attach this page to Form 1040N. | <b>FORM 1040N</b><br><b>Schedule I</b><br><b>2016</b> |
| Name on Form 1040N  |  | Social Security Number                                |
| <b>Nebraska Schedule I —</b><br><b>Nebraska Adjustments to Income for Nebraska Residents, Partial-Year Residents, and Nonresidents</b><br>• Attach additional pages if necessary. |  |   |
| <b>Part A — Adjustments Increasing Federal AGI</b>  |  |   |
| 4 Financial Institution Tax Credit claimed. Enter amount from line 25, Form 1040N .....   | 4  | 00  |
| 5 Nebraska College Savings Program recapture (see instructions) .....   | 5  | 00  |
| 6 Long-Term Care Savings Plan recapture (also subject to 10% penalty) (see instructions) .....  | 6  | 00  |
| 7 Nebraska ENABLE plan recapture .....  | 7  | 00  |

One line was added to the Form 1040N, Schedule I, Part A — Adjustments Increasing Federal AGI.

- Line 7 allows for a Nebraska Enable plan recapture.

# Form 1040N

## Schedule I Line Changes

|   |  |   |
|---|--|---|
| <br>Nebraska Department of<br><b>REVENUE</b>  | <b>Nebraska Schedule I — Nebraska Adjustments to Income</b><br>(Nebraska Schedule II reverse side.)<br>• Attach this page to Form 1040N. | <b>FORM 1040N</b><br><b>Schedule I</b><br><b>2016</b> |
| Name on Form 1040N  |  | Social Security Number                                |
| <b>Nebraska Schedule I —</b><br><b>Nebraska Adjustments to Income for Nebraska Residents, Partial-Year Residents, and Nonresidents</b><br>• Attach additional pages if necessary.   |  |   |
| <b>Part B — Adjustments Decreasing Federal AGI</b>  |  |   |
| <div> <div>20</div> <div>           Nebraska ENABLE plan contributions. List the account number and annual contribution amount for each account you contributed to during this tax year (list below or attach schedule)<br/>           a Account Number: _____ b Amount: \$ _____<br/>           Total Nebraska ENABLE plan contributions .....         </div> <div>20</div> <div>00</div> </div> |  |   |

One line was added to the Form 1040N, Schedule I, Part B – Adjustments Decreasing Federal AGI.

- Line 20 allows a deduction for Nebraska Enable plan contributions up to \$5,000, for married, filing separately and \$10,000 for any other return.

# General

## Nebraska Standard Deductions

|                              | 2015     | 2016            |
|------------------------------|----------|-----------------|
| • Single taxpayers           | \$ 6,300 | \$ 6,300        |
| • Head of household          | \$ 9,250 | \$ <b>9,300</b> |
| • Married, filing jointly    | \$12,600 | \$12,600        |
| • Married, filing separately | \$ 6,300 | \$ 6,300        |
| • Qualifying Widow(er)       | \$12,600 | \$12,600        |

## Taxpayers Over Age 65 and/or Blind

- Taxpayers using married, filing jointly; married, filing separately; or qualifying widow(er) filing status, add \$1,250 per box checked.
- Taxpayers using single or head of household filing status, add \$1,550 per box checked.

# General

## Personal Exemption Credit

2016 = \$131

2017 = \$132

## Individual Income Tax Brackets in 2016

| Bracket Number | Married,<br>Filing Jointly | Head of<br>Household | Single<br>Individuals | Tax<br>Rate |
|----------------|----------------------------|----------------------|-----------------------|-------------|
| 1              | \$0 – 6,120                | \$0 – 5,710          | \$0 – 3,060           | 2.46%       |
| 2              | \$6,120 – 36,730           | \$5,710 – 29,390     | \$3,060 – 18,370      | 3.51%       |
| 3              | \$36,730 – 59,180          | \$29,390 – 43,880    | \$18,370 – 29,590     | 5.01%       |
| 4              | Over \$59,180              | Over \$43,880        | Over \$29,590         | 6.84%       |

## Individual Income Tax Brackets in 2017

| Bracket Number | Married,<br>Filing Jointly | Head of<br>Household | Single<br>Individuals | Tax<br>Rate |
|----------------|----------------------------|----------------------|-----------------------|-------------|
| 1              | \$0 – 6,170                | \$0 – 5,760          | \$0 – 3,090           | 2.46%       |
| 2              | \$6,170 – 37,030           | \$5,760 – 29,620     | \$3,090 – 18,510      | 3.51%       |
| 3              | \$37,030 – 59,660          | \$29,620 – 44,230    | \$18,510 – 29,830     | 5.01%       |
| 4              | Over \$59,660              | Over \$44,230        | Over \$29,830         | 6.84%       |

Note: No high school district code changes for 2016-2017.

# Thank you for supporting e-file!

## How many people are using E-File?

|      |        |
|------|--------|
| 2016 | 91.2%* |
| 2015 | 90.7%  |
| 2014 | 89.9%  |

## What are the benefits of e-file?

- Faster refund, especially when direct deposit is also used
- More accurate return
- Confirmation that the return was received
- E-filing costs less to process so taxpayer money is saved

**Nebraska plans to begin accepting e-filed returns on the same date as the IRS.**

# E-file Mandate

## No Change to the Tax Preparer E-file Mandate

- Applies to tax preparers who filed 25 or more Nebraska individual income tax returns during calendar year 2016.
- All individual income tax returns they are paid to prepare during calendar year 2017 must be e-filed.
- The penalty is \$100 for each return not e-filed.

For more Information, see the [Tax Preparer E-file Mandate FAQs](#) on the Department's website or [Neb. Rev. Stat. § 77-1784](#).

# **Review Wage and Tax Statements Forms W-2 and 1099**

When preparing individual income tax returns, verify each of the Forms W-2 and 1099 to ensure completeness and accuracy.

- If the Nebraska Employer ID number is blank and there is Nebraska withholding, a corrected form must be obtained.
- Verify the employee's Social Security number is correct on each Form W-2 or 1099.



# Documentation

The Department may request documentation to verify credits and adjustments during processing. Some examples of documents requested include:

- Forms W-2 and 1099
- Railroad Retirement Board, Forms W-2 and 1099
- Schedule K-1N, Form 1041N
- Schedule K-1N, Form 1065N
- Schedule K-1N, Form 1120-SN
- Nebraska Child and Dependent Care Expenses, Form 2441N
- Nebraska Refund for Deceased Taxpayers, Form 1310N-supporting documentation as indicated on the form

# Documentation

- Nebraska Incentives Credit Computation, Form 3800N, and supporting worksheets and schedules
  - Form 3800N may be e-filed with your return if your software supports it; however, all supporting documentation must be sent as a PDF attachment, or it will be requested later during processing
  - Review and processing can take 6 weeks or more
- NOL worksheet
  - If you do not have a Federal NOL, you do not have a Nebraska NOL under Nebraska law.
  - See [Form NOL Worksheet](#) instructions or [Neb. Rev. Stat. § 77-2716\(2\)](#) for more information.
- Statement of Nebraska Financial Institution Tax Credit, Form NFC

For more Information, see [Current Year Individual Income Tax Forms](#) on the Department's website.

# Form 4797N – Special Capital Gains Election

- The taxpayer must be a resident of Nebraska at the time of the sale of the stock.
- A qualified corporation:
  - Has been in existence and actively doing business in Nebraska for at least three years;
  - Has at least five shareholders; and
  - Has no more than 90% of the capital stock held by any single shareholder or group of related shareholders.

# Form 4797N – Special Capital Gains Election

## Limitation on Capital Gains Exclusion:

- The Form 4797N must be completed **each consecutive year**. The deferred exclusion must be used if the federal capital loss is less than \$3,000 (\$1,500 MFS) until the deferred exclusion has been used.
- The deferred exclusion must be carried over to the following tax year if the federal capital loss is \$3,000 (\$1,500 MFS) or more.

For more information, see [Special Capital Gains/Extraordinary Dividend Election and Computation, Form 4797N instructions](#).

# Balance Due Payment Options

If the taxpayer owes tax and is not able to pay the entire balance by the due date, encourage them to pay as much as possible by the due date to avoid interest charges.

- Interest will accrue on any unpaid tax until it is fully paid.
- If the taxpayer is unable to pay the entire balance by the due date, the Department offers several payment options.

Pay by credit card.

- Payments are made online at [officialpayments.com](https://officialpayments.com).
  - A convenience fee of 2.35% will be charged by Official Payments.
  - Use Jurisdiction Code 3700.

# Balance Due Payment Options

Pay entire amount **within 90 days**.

- No forms are required to be filed.
- Make four equal payments.
  - Pay either electronically or by check or money order.
  - Send the remaining three payments every 30 days.

Pay entire amount in **more than 90 days**.

- Contact the Department to set up a payment plan.
- Complete [Form 27D, Payment and Authorization Agreement](#).
- Payments **must** be made by electronic funds transfer (EFT).
  - The Department will respond and either approve or deny the payment proposal.
  - If approved, payments will automatically be withdrawn from the bank account as the taxpayer has scheduled.

# Balance Due Payment Options

## Other helpful hints:


- Payments can be made prior to the return being submitted.
  - If mailing in a payment, attach the proper form.
  - If you have questions, contact Taxpayer Assistance.
- If you set up a payment plan and make the payments as agreed, no further collection action will be taken.
- Discuss with the taxpayer ways to avoid a balance due in the future.
  - Is a sufficient amount of income tax being withheld from the taxpayer's paycheck?
  - Do they need to make or increase estimated income tax payments?

For more information, see [How to Pay Your Individual Income Tax Balance Due](#) on our website, or contact Taxpayer Assistance at 800-742-7474 (NE and IA), or 402-471-5729.

# Use Tax



# Use Tax

|   |   |   |           |    |
|---|---|---|-----------|----|
|   | <p style="text-align: center;"><b>Nebraska Individual Income Tax Return</b><br/>for the taxable year January 1, 2016 through December 31, 2016 or other taxable year:<br/>_____, 2016 through _____, 2016 through _____</p> | <p style="text-align: center;">FORM 1040N<br/><b>2016</b></p> |           |    |
| <p><b>38</b> Use tax due on taxable purchases where applicable sales tax was not collected. (see instructions)<br/>         Enter purchases subject to state tax 91 \$_____ State tax 92 \$_____ (purchases x 5.5%);<br/>         Enter purchases subject to local tax 93 \$_____ Local tax 94 \$_____ (purchases x local rate of _____%)<br/>         95 Local code _____ (see local rate schedule);<br/>         Add state and local taxes and enter on line 38. If no use tax is due, enter -0- on line 38. ....</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%; text-align: right;"><b>38</b></td> <td style="width: 20%; text-align: right;">00</td> </tr> </table> |   |   | <b>38</b> | 00 |
| <b>38</b>   | 00  |   |           |    |

- Report individual use tax on line 38 of Form 1040N.
- If the taxpayer has a credit for tax paid to another state, along with use tax, report both the credit and tax on [Form 2](#).
- If the taxpayer needs to report use tax to multiple local jurisdictions, report it on [Form 3](#).
- Report business use tax on [Form 10](#) or [Form 2](#).
- Businesses that hold a Nebraska Sales and Use Tax Permit, **must** use [Form 10](#).

Note: Do not report business use tax on Form 1040N.

# When Use Tax is Due

Use tax is often due when purchases are made from an out-of-state seller

- Internet, catalog, mail order
- Magazines and journals by subscription

Use tax is due when the business withdraws tax-free inventory for business or personal use (including donations)

- Auto mechanic
- Hair salon

Note: Be sure to maintain good records!

# Use Tax

## Use tax filing statistics:

- 61,474\* Forms 1040N reported a use tax liability for a total of \$3,832,936\* since the use tax line was added to the income tax return.
- An estimated \$57 to \$76 million in sales and use taxes on remote sales goes uncollected on an annual basis.
  - \$45 to \$60 million in state sales and/or use tax revenue
  - \$12 to \$16 million in local sales and/or use tax revenue

\*Note: These statistics are as of 08/26/2016.

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# Legislative Changes

# Income Tax

Achieving a Better Life Experience (ABLE) Accounts ([LB 591](#) – Operative May 28, 2015; and [LB 776](#) – Operative for taxable years beginning on or after January 1, 2016)

The ABLE Act and IRC § 529A allow any person (which includes individuals, corporations, and fiduciaries) to create and contribute to a tax-advantaged savings account which will be used for the benefit of a qualified disabled person.

- The State Treasurer's Office, serving as the program's trustee, announced and launched the program nationwide on June 30, 2016.
- First National Bank of Omaha will be the Nebraska Program Manager.
- The Nebraska-based program is called the Enable Savings Plan.

# Income Tax

## ABLE Accounts (continued)

- Contribution deductions are allowed up to \$10,000 (\$5,000 MFS) per return.
- The person who contributed the amount to the account is allowed to take the adjustment decreasing federal AGI.
- The account owner may exclude any interest income earned by the account.
- An adjustment increasing federal AGI due to a withdrawal from an ABLE account for nonqualified expenses is limited to the amount previously deducted by the account owner.

For more information, see [ABLE Program – Achieving a Better Life Experience Act](#) on the Nebraska State Treasurer's website.

# Income Tax

## Nebraska Adjustments to Federal Adjusted Gross Income (AGI) Clarified

([LB 776](#) – Operative for taxable years beginning on or after January 1, 2016)

- Interest earned on Build America Bonds issued by local governments in Nebraska is allowed to be subtracted from federal AGI.

# Income Tax

## Refundable Credits Deemed to be Overpayments ([LB 776](#) – Operative for taxable years beginning on or after January 1, 2016)

- Refundable income tax credits are considered overpayments, even if the taxpayer has no income tax liability.
- LB 776 also changes part of [LB 851](#) (2014).
  - Unless there is no original return filed, the statute of limitations to file a refundable credit is three years from the date the return was filed; or
  - Two years from the date the tax was paid whichever is later.
  - If no return is filed, the statute of limitations for claiming a refundable credit remains three years from the original due date of the return.



# Income Tax

## Nebraska Historic Tax Credit (NHTC) Amended ([LB 774](#) – Operative July 21, 2016)

- Beginning in calendar year 2017:
  - \$4 million of the \$15 million annual allocation of NHTCs are granted to applicants seeking less than \$100,000 in tax credits.
  - If the credits reserved for these smaller projects are not claimed by April 1 of each year, they become available for larger projects.
  - The use of a NHTC will not cause any insurance retaliatory tax obligation and will be considered a payment of tax for purposes of the insurance premium tax credit against the corporation income tax.
  - For additional information, contact Lee Glaser at [lee.glaser@nebraska.gov](mailto:lee.glaser@nebraska.gov) or 402-471-5669.

# Income Tax

## Facilitating Business Rapid Response to State Declared Disasters Act

([LB 913](#) – Operative July 21, 2016)

- When the Governor or the President declares a **disaster or emergency**, out-of-state businesses, as defined in the Act, are not required to register with the Secretary of State if they conduct operations in Nebraska to repair, renovate, or install infrastructure relating to:
  - public utilities;
  - communications networks;
  - natural gas distribution systems; or
  - water pipelines.

# Income Tax

## Facilitating Business Rapid Response to State Declared Disasters Act (continued)

- The out-of-state business does not need to:
  - withhold Nebraska income taxes for employees;
  - pay Nebraska income taxes on income earned; or
  - remit use taxes with respect to equipment brought into the state temporarily.
- Their nonresident employees are not considered to:
  - have established residence in Nebraska; and
  - be subject to Nebraska income tax withholding.

# Income Tax

## Facilitating Business Rapid Response to State Declared Disasters Act (continued)

- These exemptions are limited to the disaster period, which begins ten days before the declaration and ends 60 days after the expiration of the declaration.
- Activities by the out-of-state business or nonresident employee outside the disaster period or pursuant to a proposal or bid request are not protected.
- An out-of-state business must provide notice to the Nebraska Department of Revenue **within ten days of entry into Nebraska.**

# Income Tax

## Nonrefundable Credit for Employing a Member of a Family that Received Temporary Assistance for Needy Families (TANF)

([LB 774](#) – Operative for taxable years on or after January 1, 2017)

- Beginning in tax year 2017
- Nonrefundable income tax credit is equal to 20% of an employer's expenditures on eligible employees for:
  - Tuition at Nebraska public institutions for postsecondary education;
  - Costs of a high school equivalency program; and
  - Transportation of eligible employees to and from work.

# Income Tax

## Nonrefundable Credit for Employing a Member of a Family that Received Temporary Assistance for Needy Families (TANF) (continued)

- The credit may be claimed for two tax years. The tax years do not have to be consecutive.
- An eligible employee is defined as an individual who is a member of a family that received benefits under the federal TANF program for any 9 months of the 18-month period immediately prior to the employer's hiring date.
- The credit may be taken against individual, corporation, or fiduciary income taxes.

# Income Tax

Refundable Individual Income Tax Credit  
for Volunteer Emergency Responders  
([LB 886](#) – Operative for taxable years beginning  
on or after January 1, 2017)

- Beginning with tax year 2017.
- Refundable income tax credit is equal to \$250.
- Available to qualified active volunteer
  - emergency responders;
  - rescue squad members; and
  - firefighters.

## Income Tax

### Refundable Individual Income Tax Credit for Volunteer Emergency Responders (continued)

- Credit is available beginning with the second taxable year in which the qualified active volunteer is included on a certified list (see below).
- Qualified active volunteers accumulate points for service and emergency service-related training and activities.
- Each city, village, or rural or suburban fire protection district must file a certified list of those volunteers who have qualified for the immediately preceding calendar year by each February 15.



# Income Tax

## School Readiness Tax Credit

([LB 889](#) – Operative for taxable years beginning on or after January 1, 2017, and before January 1, 2022)

- This legislation provides **two separate income tax credits** beginning with tax year 2017.
- General requirements for both income tax credits:
  - The program has a total allocation cap of \$5 million per year.
  - The provider or staff member will be required to submit an application to the Department of Revenue.
  - Each application will require proper documentation from the accrediting agency verifying the level or step achieved.
  - The tax credits will be allocated in the order received.

# Income Tax

## School Readiness Tax Credit (continued)

First credit —

- Available to persons **who own or operate** an eligible childcare and education program.
- The credit is a nonrefundable income tax credit.
- Must serve children who participate in the childcare subsidy program established in Neb. Rev. Stat. § 68-1202.
- This credit is available to individuals, corporations, and fiduciaries.

# Income Tax

## School Readiness Tax Credit (continued)

First credit –

- The credit to the provider is equal to the average monthly number of subsidy children who attend the provider's program multiplied by a dollar amount based on the quality scale rating of the eligible program:
  - \$750 for a Step Five program;
  - \$500 for a Step Four program;
  - \$250 for a Step Three program; and
  - \$0 for a Step Two or a Step One program.

# Income Tax

## School Readiness Tax Credit (continued)

### Second credit –

- Available to staff members who are both employed with an eligible program for at least six months during the taxable year, and are classified in the Nebraska Early Childhood Professional Record System.
- The credit is a refundable income tax credit.
- Eligible staff members receive a credit equal to:
  - \$1,500 for a Level Four classification;
  - \$1,250 for a Level Three classification;
  - \$750 for a Level Two classification; and
  - \$500 for a Level One classification.

## Income Tax

Long-Term Care Savings Plan Adjustment Terminated  
([LB 756](#) – Operative for taxable years beginning on or after January 1, 2018)

- Account owners will receive the balance in their accounts as of January 1, 2018.
- There will not be a penalty on the balance received.

## Affordable Housing Tax Credit

([LB 884](#) – Operative for taxable years beginning on or after January 1, 2019)

- The project must be placed in service after January 1, 2018.
  - Apply to Nebraska Investment Finance Authority (NIFA) for approval of nonrefundable tax credits.
  - See [2016 Nebraska Legislative Changes Nebraska Department of Revenue](#) on our website for additional information.

# Sales and Use Tax

Community-Based Energy Development (C-BED)  
([LB 736](#) – Operative July 21, 2016)

- The definition of “electric utility” changed to “electric supplier.”
- The new definition of “electric suppliers” is defined as a public power district, a municipality, a group of municipalities, an electric membership association, or a cooperative.
- The former definition of an electric utility required it to have transmission lines and more than 200 megawatts of generating capacity.

# Sales and Use Tax

Energy Used in Manufacturing, Processing,  
or Refining

([LB 774](#) – Operative October 1, 2016)

- Processing includes drying and aerating grain in commercial agricultural facilities.

County Agricultural Societies

([LB 774](#) – Operative October 1, 2016)

- County agricultural societies are exempt from paying sales and use taxes on their purchases.

# Sales and Use Tax

## Museums

([LB 774](#) – Operative October 1, 2016)

- The sales and use tax exemption for fine art purchased by a museum is expanded to include purchases of any displays by any type of museum.

## Substance Abuse Treatment Centers and Centers for Independent Living

([LB 774](#) – Operative October 1, 2016)

- Nonprofit substance abuse centers and nonprofit centers for independent living (institutions that provide services to persons with developmental disabilities) are exempt from paying sales and use tax on their purchases.



# Sales and Use Tax

## Streamlined Sales Tax Agreement Compliance ([LB 776](#) – Operative October 1, 2016)

- Allows an exception to the definition of “prepared food.”
- For goods that require additional cooking, like take-and-bake pizza
- Updates Nebraska’s acceptance of the Streamlined Sales and Use Tax Agreement to adopt changes to the Agreement since 2010.

# Tax Incentives

## Sunsets for Tax Incentive Programs

([LB 1022](#) – Operative July 21, 2016)

- The sunset dates have been extended. The new sunset date is **December 31, 2022** for the following programs:
  - Angel Investment Tax Credit
  - Beginning Farmer Tax Credit
  - Nebraska Advantage Act – All Tiers
  - Nebraska Advantage Microenterprise Tax Credit Act
  - Nebraska Advantage Research & Development Act
  - Nebraska Advantage Rural Development Act
  - Nebraska Historic Tax Credit
  - New Markets Tax Credit

# Lottery/Charitable Gaming/Athletic Commission

## Banned Substances List for Athletic Commission Contestants

([LB 823](#) – Operative April 6, 2016)

- The State Athletic Commissioner is authorized to:
  - Adopt a list of banned substances which mixed martial arts and boxing contestants are prohibited from using;
  - Require contestants to submit to a test for banned substances; and
  - Provide a graduated scale of fines and suspensions for failing these tests.

# Miscellaneous

Sports Arena Financing

([LB 285](#) – Operative July 21, 2016)

Sports Arena Financing Expanded

([LB 884](#) – Operative October 1, 2016)

Convention Center Financing

([LB 884](#) – Operative October 1, 2016)

Legislative Auditor

([LB 1022](#) – Operative July 21, 2016)

Petroleum Release Remedial Action Act

([LB 887](#) – Operative January 1, 2016)

For more information, see  
[2016 Nebraska Legislative Changes](#) on our website.

# Property Assessment

## Nebraska Net Book Value; Trailer and Semitrailer Exemption

([LB 775](#) – Operative February 24, 2016)

- The Nebraska net book value is based on the year placed in service, rather than the year of acquisition.
- The bill also includes trailers and semitrailers with motor vehicles as a class of property exempt from property tax.

# Property Assessment

## Real Property Tax Credit Act

([LB 958](#) – Operative July 19, 2016)

- Provides \$20 million of additional funding in tax year 2017 for the Real Property Tax Credit Act.
- Changes the calculation of the credit so it will be allocated as if agricultural and horticultural land, and agricultural and horticultural land receiving special valuation, were valued at 120% of their taxable value.

# Property Assessment

## Homestead Exemption Act

([LB 683](#) – Operative January 1, 2017)

- Amends the homestead exemption statutes to allow a surviving spouse of a qualified veteran, who remarries after attaining the age of 57 years, to qualify.

## Homestead Exemption Act

([LB 776](#) – Operative January 1, 2017)

- Removes “regular” regarding the use of a mechanical aid or prosthesis, and codifies disability recertification requirements.

# Property Assessment

Real Estate Transfer Statement Not Required for Most Easements

([LB 725](#) – Operative July 19, 2016)

Real Property Appraiser Act

([LB 729](#) – Operative March 9, 2016)

Levy and School Aid Changes for Public Schools

([LB 959](#) – Operative April 18, 2016)

Learning Community Changes

([LB 1067](#) – Operative April 19, 2016)

For more information, see [2016 Nebraska Legislative Changes Nebraska Department of Revenue, Property Assessment Division](#) on our website.



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# **Revenue Rulings; Property Tax Directives; and Information Guides**

## 2016 Revenue Rulings

- Interest Rate Assessed on State Taxes  
(99-16-1, Supersedes Ruling 99-14-2).....10/17/2016
- Revenue Ruling Rescinded  
(01-10-3, Net Metering of Electricity)..... 07/20/16
- Guaranteed Asset Protection (GAP)  
Waiver Contracts.....03/07/16

## 2016 Property Assessment Directives

- Assessment of Renewable Energy Generation  
Facilities (Supersedes Directive 11-3).....07/20/16

For more information, see [Revenue Rulings](#) or  
[Property Assessment Directives](#) on our website.

# 2016 Sales and Use Tax Information Guides

- [Food, Food Ingredients, and Dietary Supplements](#)..... 08/2016
- [County Treasurer Instructions – Sales/Use Tax and Tire Fee Collection for Motor Vehicles & Trailer Sales](#)..... 03/2016

# 2016 Property Assessment Information Guides

- [Special Valuation of Agricultural or Horticultural Land](#)..... 09/2016
- [Government and Permissive Tax Exemptions](#)..... 08/2016
- [Centrally Assessed Railroads and Public Service Entities](#)..... 07/2016
- [Real Property Assessment](#)..... 07/2016

For more information, see [Information Guides](#) on our website.

# 2016 Property Assessment Information Guides

- [Car Line Companies and Air Carriers](#)..... 06/2016
- [Beginning Farmer Exemption for  
Personal Property](#) ..... 05/2016
- [Homestead Exemption](#)..... 02/2016

For more information, see [Information Guides](#) on the Property Assessment Legal Information page on our website.



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